

# **STATE TREASURER'S OFFICE**

## **CALIFORNIA SCHOOL FINANCE AUTHORITY**

### ***SMART BONDS PROGRAM***

**The California School Finance Authority (CSFA)** was established in 1985 to help finance the construction, remodeling, or replacement of new or existing public school facilities. The CSFA is chaired by State Treasurer Philip Angelides. Other members are Superintendent of Public Instruction Delaine Eastin and Director of Finance Tim Gage.

**The Smart Bonds program** is a financing program offered by the CSFA to help school districts meet their facility needs. The program has been designed to offer school districts comprehensive flexibility in tailoring a financial program which best meets their needs.

The Smart Bonds program does not represent a new source of funding to school districts. Rather, the program allows a district to secure a borrowing at better terms than would be available to the district on its own. School districts may use the Smart Bonds program to help finance their local share for matching purposes under the State School Facility Program. The main features of the program include:

♦ **Fixed Rate or Variable Rate Options**

School districts have the option of choosing either a fixed rate program to finance their long-term needs, or a variable rate program on either an interim or long-term basis.

♦ **Intercept Program Options**

School districts may pledge an intercept of their annual state allotment of revenue limit funds, to guarantee the debt service on lease revenue bonds or certificates of participation issued on their behalf by CSFA.

The intercept mechanism may be used as either a standby in the case of non-payment

by the district, or as an automatic schedule of payments. Because the debt service is secured by intercepted funds coming directly from the State, investors will look to the State's creditworthiness in judging the credit quality of the bonds. For districts with lower credit ratings than those of the State, this improved credit rating is expected to reduce borrowing costs. The intercept also will result in lower costs for bond insurance and letters of credit.

♦ **Pooled or Stand-Alone Options**

The pooled bond program provides districts with the following benefits from increased creditworthiness and economies of scale:

- ❖ Lower interest rates
- ❖ Lower costs of issuance
- ❖ Greater investor demand
- ❖ Reduced administrative burden for issuing bonds and maintaining a borrowing program

School districts also may use CSFA to issue debt on a stand-alone basis.

### **Application Process**

For further information on eligibility or to request an application, please contact:

**Katrina Johantgen, Executive Director**  
**California School Finance Authority**  
**304 S. Broadway, Suite 550**  
**Los Angeles, CA 90013**  
**213-620-4467 (Los Angeles office)**  
**916-653-2913 (Sacramento office)**  
**email: [kjohantgen@treasurer.ca.gov](mailto:kjohantgen@treasurer.ca.gov)**

**We welcome your feedback. If you have financing needs that are not addressed by the Smart Bonds program, or have ideas about how this program could work better for your school district, please contact us to share your thoughts.**